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OFFICE OF THE
Auditor General
of British Columbia

2009/10 ANNUAL REPORT AND
2010/11 – 2012/13 SERVICE PLAN

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of British Columbia

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The Honourable Bill Barisoff
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
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I have the honour to transmit the 2009/10 Annual Report and 2010/11–2012/13 Service Plan of the Auditor General of British Columbia to the Legislative Assembly, to be laid before the Assembly in accordance with the provisions of section 22 of the Auditor General Act. This report is also available on our website at www.bcauditor.com.

John Doyle, MBA, CA
Auditor General

Victoria, British Columbia
June 2010

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MESSAGE FROM THE AUDITOR GENERAL



The publication of this report marks the completion of my second full year as Auditor General. The Office continues to be viewed nationally and internationally as a leader in the field of legislative audit. However, there is always room for improvement. The performance results in this report help us identify these areas, and I will always aim to foster a culture of continuous improvement in all that we do.

In that vein, I have begun to reshape the organization and its processes to better meet the needs of legislators and the public – work that will continue in the upcoming year. This includes improving the way my staff manage projects, shortening project time frames, and making my public reports more accessible and readable.

My staff have been preparing, and continue to prepare, for a number of significant shifts in accounting and auditing standards. New Canadian Auditing Standards came into effect during the year and are now being employed in all of our financial statement audits. In 2010/11, International Financial Reporting Standards will come into effect for government business enterprises. Standards for not-for-profit enterprises may also change soon. We have remained on top of these emerging challenges to ensure we meet professional standards and provide good advice.

However the complexity of our environment increased with the introduction of Bill 2, the Budget Measures Implementation Act. The amendments in Bill 2 provide Treasury Board with the authority to depart from Canadian Generally Accepted Accounting Principles. This development is of significant concern as it has the potential to undermine the credibility of government's financial reporting.

Effective financial management ensures funds are obtained at minimal cost, deployed efficiently and used in ways that provide good value for British Columbians. Good financial management is always important, but is particularly critical during times of economic constraint. Consequently, we have started to look at whether government has the right processes, controls, accountability mechanisms and information for decision making. The results of the first phase of this work will be published soon.

The audit opinions and reports of the Office go out under my name. However, the underlying work is performed by a group of dedicated professionals – many of whom have a long history of service. Their experience and depth of knowledge are invaluable for our work now and as we build the capacity of future leaders. In particular, I would like to acknowledge eight staff who recently marked service milestones: Faye Fletcher, Brian Jones, Morris Sydor, Wayne Schmitz, Kathy Crawley, Ada Chiang, Jim Neily and Russ Jones.

In addition, two long-serving members of staff, Director Tony Timms and my Executive Assistant, Doreen Sullivan, recently retired. I express my thanks and appreciation to both for their years of commitment and service.

A handwritten signature in black ink, appearing to read "John Doyle".

John Doyle, MBA, CA
Auditor General

June 2010

ACCOUNTABILITY STATEMENT

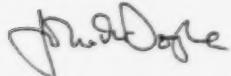
The 2009/10 Annual Report and 2010/11–2012/13 Service Plan of the Office of the Auditor General of British Columbia was prepared under my direction in accordance with the Auditor General Act. I am accountable for the results achieved, for the selection of performance indicators and for how performance has been reported.

The report reflects the performance of the Office of the Auditor General for the 12 months ending March 31, 2010. All material fiscal assumptions and policy decisions up to June 1, 2010, have been considered in the development of this publication.

This combined annual report and service plan presents a comprehensive picture of the Office's actual performance. The report includes estimates and interpretive statements that represent the best judgement of management. The measures reported are consistent with the Office's mission, goals and objectives, and focus on aspects critical to understanding the performance of the Office of the Auditor General.

I am responsible for ensuring that the Office's performance information is measured accurately and in a timely manner. Any significant limitations in the reliability of the performance data have been identified and explained.

This combined report and service plan has been prepared in accordance with the B.C. Reporting Principles and is intended for a general audience. Users who require more detailed information should contact the Office.



John Doyle, MBA, CA
Auditor General



Auditors' report

To the Speaker

The Legislative Assembly, Province of British Columbia

Grant Thornton LLP
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Victoria, BC
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We have been engaged to report whether the 2009/10 Annual Report and 2010/11 – 2012/13 Service Plan (the “Annual Report”) of the Office of the Auditor General of British Columbia (the “Office”) for the year ended March 31, 2010 fulfills the requirements of the BC Reporting Principles. The eight BC Reporting Principles outline the characteristics of good performance reporting, and have been endorsed by the Legislative Assembly’s Select Standing Committee on Public Accounts for use by public sector organizations in British Columbia. This Annual Report is the responsibility of the Office. Our responsibility is to assess whether the Annual Report has met the requirements of the BC Reporting Principles.

We conducted our audit in accordance with Canadian standards for assurance engagements and accordingly included such tests and procedures as we considered necessary in the circumstances. The conclusion in our report is based on procedures that we determined to be necessary for the collection of sufficient, appropriate evidence in order to obtain a high, though not absolute, level of assurance that the Annual Report fulfills the requirements of the BC Reporting Principles.

Our examination was not designed to provide assurance on representations from management concerning the appropriateness of the goals, objectives and targets established by the Office. Such representations are the opinions of management and inherently cannot be subject to independent verification. Therefore, our examination was limited to ensuring the Annual Report contains those representations called for by the BC Reporting Principles and that they are consistent with the audited performance information and audited financial statements.

In our opinion, this Annual Report fairly presents, in all significant respects, the performance of the Office for the year ended March 31, 2010, in accordance with the BC Reporting Principles. The following appendix contains details supporting our conclusion for each of the BC Reporting Principles, and is an integral part of our opinion.

Victoria, Canada

June 4, 2010

Grant Thornton LLP

Chartered accountants

Appendix to Auditors' Report of Grant Thornton LLP on the 2009/10 Annual Report and 2010/11 – 2012/13 Service Plan of the Office.

Detailed observations

Principle 1 – Explain the Public Purpose Served
The Annual Report explains the Office's mission and public purpose, as outlined in enabling legislation. It reports on the organization's three core business areas and the services/products provided. The Annual Report includes a discussion of the involvement of private sector auditors and the quality assurance measures in place. The Annual Report details the Office's clients and stakeholders, including the accountability relationship with the Legislative Assembly. Other factors that are critical to understanding performance are identified, including independence and objectivity.

Principle 2 – Link Goals and Results

The Annual Report clearly identifies the organization's mission, mandate, goals, objectives, and successfully explains their interrelationships. Performance indicators are clearly reported and reflect the core substance of the objectives and focus on short-term and long-term outcomes. The Annual Report explains variances between planned and actual results, variances from prior years' results and discusses plans to achieve targeted results in the future.

Principle 3- Focus on the Few, Critical Aspects of Performance

The Annual Report provides meaningful information to readers by focusing on four key performance indicators that are critical to the understanding of the operational performance of the Office. Results of performance, both financial and non-financial, are clearly presented. The Annual Report manages its level of detail by referring appropriately to companion documents.

Principle 4 – Relate Results to Risk and Capacity

The Annual Report examines the key risks to the Office and explains the impact of risk and the resulting critical success factors on performance results in both a short-term and long-term context. The Annual Report addresses capacity in terms of human resources and funding and how

these affect the ability to deliver organizational goals and objectives.

Principle 5 – Link Resources, Strategies and Results

The Annual Report highlights key financial information at an organization-wide level. Explanations are provided for variances from prior year and budgeted amounts. The Annual Report conveys efficiency through its discussions and analyses of performance indicators. Links between resources and outputs are discussed and contribute to the reader's understanding of the efficiency of operations.

Principle 6 – Provide Comparative Information

The Annual Report provides comparative data in its analyses of the four performance indicators. Multi-year trends are used and referenced to actual results and planned performance. For Performance Indicator 4, the Annual Report compares the Office's score against that of the BC public service. For other indicators, the Annual Report explains that benchmarks and industry data were sought, but information for direct comparisons was unavailable.

Principle 7 – Present Credible Information, Fairly Interpreted

The Annual Report covers all key aspects of performance and the measures used are relevant. The report clearly identifies the three data sources used to assess the performance. The Annual Report is reasonably concise, effectively uses tables and graphs to present information and avoids excessive use of specialized terminology.

Principle 8 – Disclose the Basis for Key Reporting Judgments

The Annual Report identifies the sources of information for performance indicator data. Limitations to data sources, where present, are disclosed. The Annual Report discusses the Office's confidence in the reliability of the data, and reports successes and shortcomings in a fair and balanced manner.

ABOUT THE OFFICE OF THE AUDITOR GENERAL

The Auditor General has a unique role in British Columbia. Non-partisan, independent of government and reporting directly to the Legislative Assembly, the Auditor General provides assurance about government's overall operations. The Auditor General is appointed for a six-year term by the Legislative Assembly, and may be reappointed for a second six-year term.

With the aid of a team of highly qualified staff, the Auditor General conducts independent audits, concludes on how well government is managing its responsibilities and resources and makes recommendations. The Auditor General's reports provide Members of the Legislative Assembly (MLAs) and all British Columbians with objective, relevant and credible information on the performance of their government.

Mission

Under the authority of the Auditor General Act, the Auditor General has a mandate to audit the government reporting entity (GRE). The GRE is composed of ministries, Crown corporations and other public sector organizations such as universities, colleges, school districts, health authorities and similar organizations that are controlled by, or accountable to, the provincial government. In 2009/10, the Auditor General was responsible for auditing the GRE's reported \$38 billion¹ in both expenses and revenue and \$65 billion in assets.

The Auditor General Act requires the Auditor General to audit government's annual Summary Financial Statements. The Act also allows the Auditor General to be appointed as the financial statement auditor of any organization that

is included in the GRE. As well, the Act allows the Auditor General to carry out performance audits. Performance audits review the wider management issues of an organization or program and whether it is achieving its objectives effectively, economically and efficiently. These audits are sometimes called "value for money" audits because they can advise whether there is value received for the money being spent.

Through the Office's work, the Auditor General provides the people of British Columbia and their elected representatives with an independent assessment of the performance of their government. In this way, the Auditor General performs a vital role in support of the democratic process of responsible, accountable government.

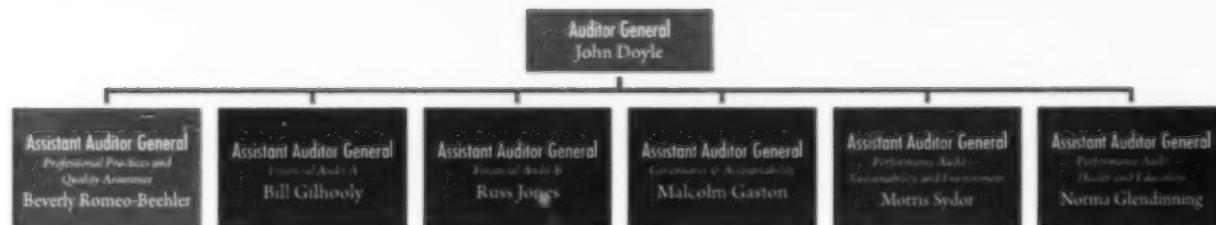
Organization

Structure

Three integrated lines of business – Financial Audit, Performance Audit, and Governance & Accountability Audit – are managed by the Office across five operating portfolios: two for Financial Audit and one each for Health and Education, Governance & Accountability, and Sustainability and Environment (Exhibit 1). While the portfolios appear segregated in the chart in Exhibit 1, staff within all the portfolios collaborate in the conduct of their work. For example, given the seasonal fluctuations of financial audits, staff from these portfolios often contribute to work in other portfolios. The integration of skills and abilities between portfolio areas ensures more effective results than could be achieved if each portfolio were isolated.

¹ Total expenses as stated in the 2009/10 BC Government Estimates.

Exhibit 1: The Main Operation Structure of the Office of the Auditor General



A fourth component of our organization, Standards and Quality, provides centralized office-wide support in areas such as human resource management, legal services and professional practices.

To better integrate operations and support services, corporate and administrative services are distributed across the operational portfolios.

Financial Audit

Financial Audit is our largest line of business and, as such, has two portfolios. This audit area has primary responsibility for delivering on one of our four strategic goals: promoting sound financial administration and reporting. Work includes auditing the Province's Summary Financial Statements and examining issues related to financial management and information technology.

The annual audit of government's Summary Financial Statements is the largest audit the Office performs. The Summary Financial Statements encompass all government operations, including ministries, Crown corporations, trusts, colleges, school districts, universities, health authorities and other public entities.

The Auditor General is not required to audit each of these organizations individually. However, under Canadian generally accepted auditing standards (GAAS), the Auditor General must have sufficient knowledge and understanding of the operations of the organizations making up the Summary Financial Statements. This knowledge can be obtained by auditing directly some of the organizations and

trust funds that make up the GRE. It can also be obtained by relying on the work of other auditors who have been appointed by individual organizations and trust funds.

Performance Audit

This line of business has primary responsibility for delivering on our second strategic goal – well-managed provincial programs, services and resources. Performance audits review the wider management issues of an organization or program and whether it is achieving its objectives effectively, economically and efficiently. They are sometimes called "value for money" audits because they can advise whether there is value received for the money being spent. Our performance audits are conducted in accordance with the assurance standards of the Canadian Institute of Chartered Accountants.

Governance & Accountability Audit

Good governance in public sector organizations provides clear and ethical direction, anticipates danger, communicates effectively, and gives and receives information on performance. Accountability is a key component of good governance, and for over a decade the Office has promoted better public accountability reporting by government.

There are three areas of focus in this portfolio's work: public sector governance, performance reporting, and assurance on performance reporting. Given these areas of focus, this line of business has primary responsibility for delivering on our strategic goals of promoting comprehensive public sector accountability reporting and effective public sector governance.



Human Resources

Greg [HR Services Assistant];
Giorgi, CA, BCOMM [Manager,
Training and Development]
Marc, MBA, CMC
[HR Director];
Penny, BA [HR Advisor];

Planning, Funding and Reporting Cycle

Our annual planning, funding and reporting cycle (Exhibit 2) determines how our corporate goals and objectives guide the development of our work plans and daily operations.

Our planning cycle begins in November when the Auditor General submits a Financial Statement Audit Coverage Plan (FSACP) to the Select Standing Committee on Public Accounts (PAC).² The FSACP outlines a three-year audit plan for the Auditor General, detailing which government organizations the Auditor General will audit directly and which will be audited by private sector auditors.

For those organizations audited by private sector auditors, the Auditor General has either limited or moderate (oversight) involvement. Limited involvement means that the role of the Auditor General is limited to ensuring that minimum professional requirements are met. This is achieved by communicating with appointed auditors on intended reliance or by reviewing the appointed auditor's files on a sample basis.

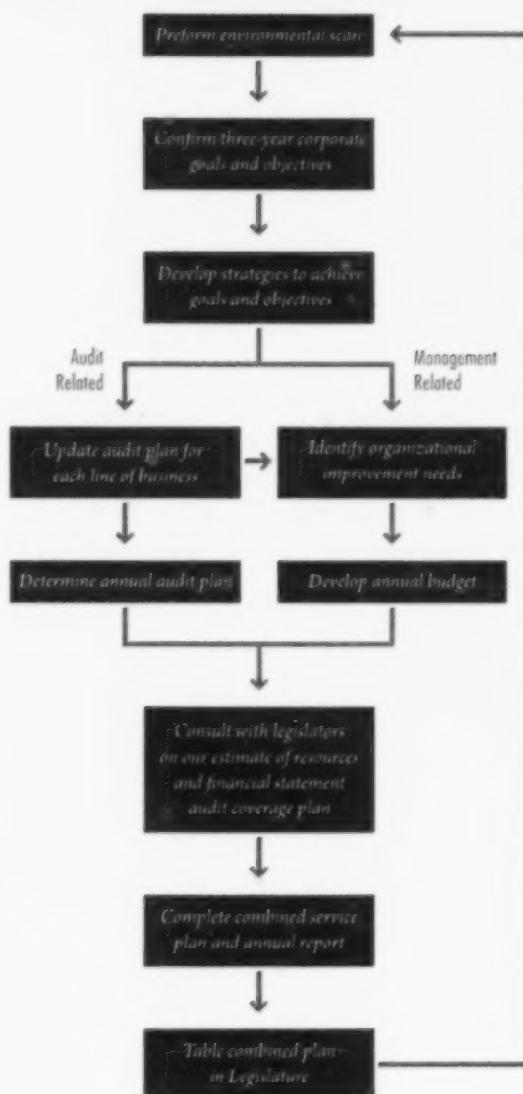
Moderate involvement means that the Auditor General conducts extended procedures such as attending audit committee meetings and reviewing the appointed auditor's audit plans and year-end audit files to understand the business of, and issues in, these significant organizations.

Whether the Auditor General has limited, moderate or direct involvement in each government ministry or organization's audit, the Auditor General must, under Canadian GAAS, have sufficient knowledge and understanding of each operation. This provides him or her with the necessary assurance to sign the annual audit opinion on government's Summary Financial Statements.

The 2009 FSACP called for our Office to directly audit the annual financial statements of central government and its 20 ministries, as well as the financial statements of 25 government organizations, and to have an oversight role for 18 more. The remaining 108 organizations were audited by private sector auditors.

Once the FSACP is approved by the PAC, we combine the cost of the work identified in the plan with the cost of carrying out our other lines of business. The result forms our Estimate of Resources. In 2009/10, this amounted to \$15.5 million. We then submit the Estimate of Resources to the Select Standing Committee on Finance and Government Services.³ Once approved, our estimate is included in the main estimates of the Province. Traditionally, the budget

Exhibit 2: Planning, Funding and Reporting Cycle of the Office of the Auditor General



for the Auditor General is Vote 2 in the budget, after the appropriation for the Legislature.

² The Select Standing Committee on Public Accounts is an all-party committee of the Legislative Assembly, chaired by a member of the Opposition. It is the committee to which the Auditor General's reports are routinely referred.

³ The Select Standing Committee on Finance and Government Services, an all-party committee of the Legislative Assembly, reviews the budget submissions of the other officers of the Legislature.

STRATEGIC FRAMEWORK

A highly valued, independent legislative audit office recognized for excellence in promoting effective and accountable government.

To serve the people of British Columbia and their elected representatives by conducting independent audits and advising on how well government is managing its responsibilities and resources.

To adopt best practices in our work and as an employer and to promote:

- 1. Sound financial administration and reporting,**
- 2. Well-managed provincial programs, services and resources,**
- 3. Comprehensive public sector accountability reporting, and**
- 4. Effective public sector governance.**

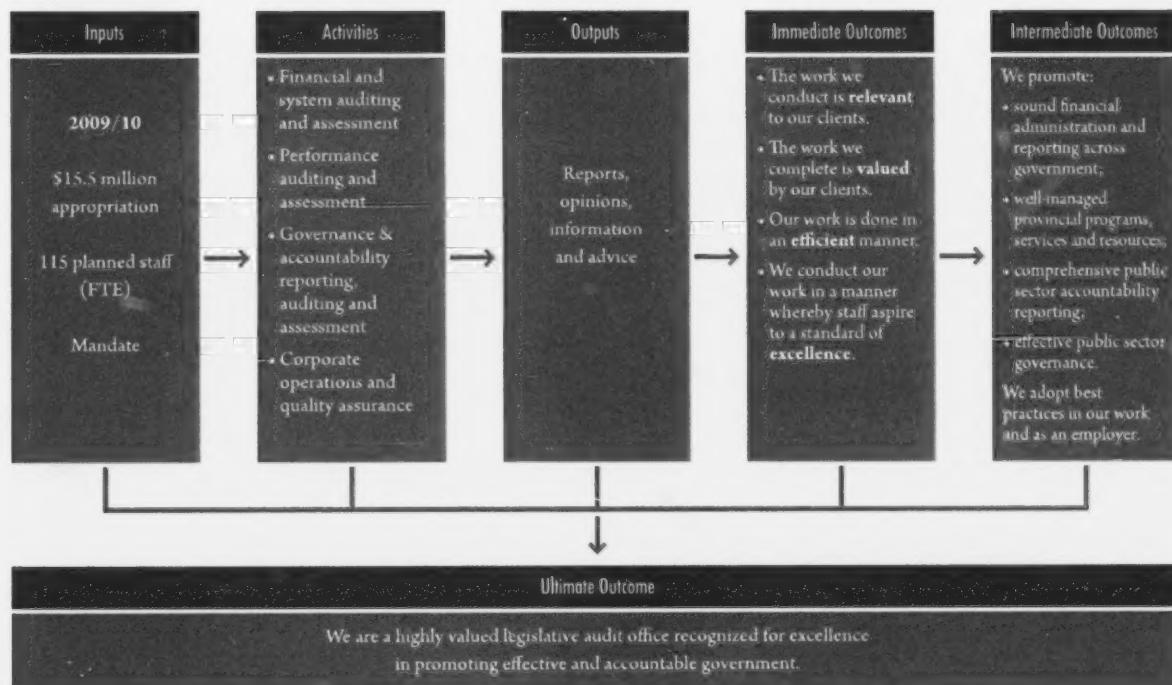
External focus:

- Serving the public interest: being relevant to legislators and the public.**
- Independence and objectivity: being free of influence, conflict of interest and bias.**
- Trust and integrity: treating those with whom we have contact honestly and consistently meeting our commitments.**

Internal focus:

- Mutual respect: managing and interacting on the basis of fairness, equity, honesty, trust and personal dignity.**
- Teamwork: cooperating, supporting and respecting each other's contributions.**
- Work-life balance: supporting quality-of-life endeavours and respecting personal commitments.**

Exhibit 3: The Office of the Auditor General Operational Logic Model



The Office vision, mission and goals are our guiding principles and flow directly from our legislated mandate to our operational lines of business. To further our guiding principles, we identified values that guide how we conduct our business, both externally and internally.

Under the authority of the Auditor General's mandate, we use our resources to produce reports, audit opinions and best practice guides, and provide advice. We measure our performance through immediate outcomes in four main areas: relevance, value, efficiency and excellence. These outcomes contribute directly to our vision of being a highly valued legislative audit office. This process can be seen in the Office's logic model (Exhibit 3).



Jodi (Financial Services Clerk)

MEASURING PROGRESS

Independence, credibility and capacity are the three factors critical to the Office's success. Together with our guiding principles, they lay the foundation for everything we do. All three factors are interrelated. For our work to be recognized as a credible source of relevant and valuable information, we must be seen to be independent. When these two critical success factors are consistently demonstrated, we should receive sufficient resources (capacity) to conduct our work. Exhibit 4 shows how the three critical success factors relate to our overall operating framework.

Independence

Above all else, we must remain independent of the government and government organizations we audit. The Auditor General Act contains provisions designed to safeguard the Office's independence. For example, the Auditor General can be appointed by the Legislative Assembly only on the unanimous recommendation of an all-party committee. As well, the Auditor General is accountable to, and reports directly to, the Legislative Assembly — not to the government of the day.

The need for independence applies equally to the Auditor General's staff. As a condition of employment, all staff are obligated to remain free of associations that could potentially impair their independence and this is reviewed prior to each new engagement.

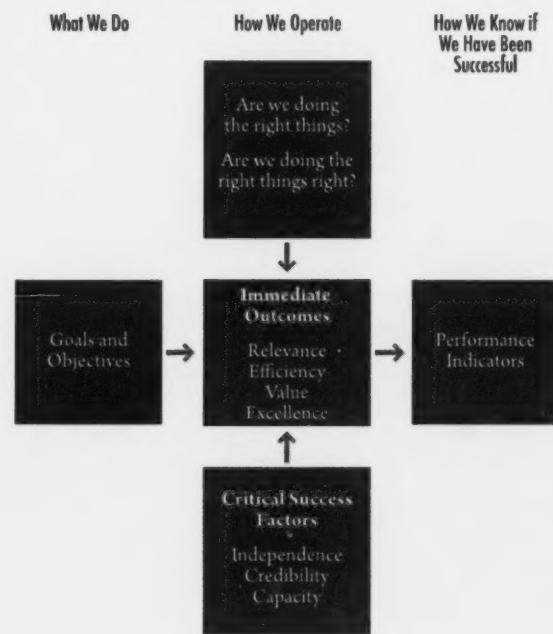
Credibility

To be of value to the Legislative Assembly and the public, our reports and audit opinions must be considered credible. Credibility is derived by "doing the right things, right."

"The right things" includes promoting effective and accountable government and achieving two of our four immediate outcomes: relevance and value. Relevance is achieved through our three lines of business where we follow a long-term risk and significance-based audit topic selection process, balanced with the need to respond to current issues and audit topics suggested by legislators and the public.

Doing the rights things are pointless, however, unless we do them correctly. To accomplish this, we maintain our independence, adhere to our guiding principles and professional standards, and fulfil our other two immediate outcomes: efficiency and effectiveness.

Exhibit 4: The Office of the Auditor General – Operating Framework



Because the Auditor General Act requires us to adhere to Canadian GAAS, we engage in internal quality control measures such as internal audit and executive-level review and challenge. Procedures such as this, coupled with rigorous standards, ensure our work meets professional auditing standards and reinforces our credibility.

We are also a licensed practising office of the Institute of Chartered Accountants of British Columbia (ICABC). Therefore, in addition to adhering to auditing standards, staff follow the ICABC code of conduct. Similar to public accounting firms, the ICABC is periodically invited to review our work to confirm that we are meeting their professional standards, once again reinforcing our credibility.

Capacity

Our third critical success factor, capacity, comes from having sufficient quantity and quality of resources at our disposal. Capacity is our only critical success factor that is subject to external influence, as our funding does not always match our estimate of resources.



Auditor General John Doyle [centre, standing] congratulates the audit associates who passed the 2009 Uniform Evaluation Exam for Chartered Accountants.

Top row, left to right:
Shaun, CA, BCom; Jon, MA, BA
(Auditor); John, MBA, CA (Auditor General); Danielle, BCom (Senior Audit Associate); Michael, CA, BBA (Auditor)

Bottom row, left to right:
Albert, CA, BBA (Auditor); YJ, CA, BBA
(Auditor); Brian, CA, BBA (Auditor);
Leslie, BCom (Senior Audit Associate);
Violet, CA, BCom (Auditor)

Quantity of Resources

In accordance with the *Auditor General Act*, the Auditor General annually provides the Select Standing Committee on Finance and Government Services with an estimate of the resources required to perform the Office's duties. The committee may adjust the estimate as it deems appropriate. Given that the Auditor General provides the Legislature with credible, relevant and valuable information and uses resource allocations efficiently, the Office expects it will receive the full amount of funding specified in the Estimate of Resources.

As discussed in detail in the Financial Statement Discussion and Analysis section of this report, salary costs account for the vast majority of the Office's expenses. In recent years, recruiting and retaining individuals with the right mix of skills and experience has been challenging. In 2009's competitive marketplace, the Office's attrition rate, excluding retirements, was approximately 11%. This is well above the average for British Columbia's public service (less than 3% in 2009; 5% in 2008; and 4.4% in 2007).

In early 2010, we maintained a relatively full complement of staff thanks to a redesigned workforce structure and the implementation of innovative recruiting practices. For the coming year, given full staffing levels, the challenge will be to work within our salary envelope. Due to budgetary constraints, we have had to increase our use of auxiliary hires to ensure that we have the flexibility to stay within our salary envelope.

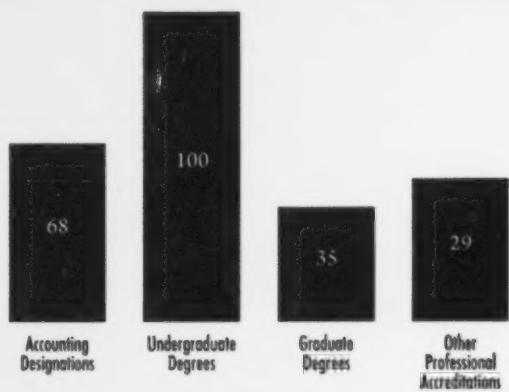
In addition, we anticipate that 17% of our staff will be eligible to retire within the next five years. When this is added to regular turnover, we expect more than one-third of staff will not be with the Office in five years' time.

Quality of Resources

In 2009/10, the Auditor General was supported by an average of 118 staff. The majority of our audit staff have accounting designations and many have additional credentials to accompany their broad experience base (Exhibit 5). Several of our performance auditors are subject-matter experts in areas such as business, public administration, law, education, social and environmental sciences, human resources and health care, and hold advanced degrees and/or certification. Currently, three staff members are pursuing advanced education outside of work hours.

The Office is licensed by the ICABC as a Chartered Accountant Training Office (CATO) to train students in obtaining their Chartered Accountant (CA) designation.

Exhibit 5: Number of Certifications and Designations Held by the Office's 118 Staff





L-R: B.C. Auditor General John Doyle, Western Australia Auditor General Colin Murphy, B.C. Auditor Chris Jones and B.C. Auditor Mike McStravick. Chris and Mike worked for the past year at the Western Australia audit office.

We are proud to have supported student audit associates in this role for over 30 years. In 2009/10, we welcomed six new audit associates who will gain hands-on experience in the Office while completing their course work. We look forward to supporting a similar number of audit associates in the pursuit of their CA designation in 2010/11 and anticipate that eight audit associates will write their final chartered accountant examinations in September 2010.

The Office is pleased to encourage staff in their pursuit of higher education. In fact, many of our professional designations require mandatory professional development each year. The average staff member received approximately 72 hours of in-house training and development in 2009/10. This average is slightly higher than that of last year because we needed to provide training on HST and new accounting standards.

Implementation of the workforce framework continued in 2009/10 with the creation of new accelerated leadership positions such as Assistant and Senior Managers in anticipation that with further training and experience, they will be our future Directors. As well, we are emphasizing the management of employee performance and providing career development tools for managers.

British Columbia's audit office is looked to as a leader in the audit field. During 2009/10, we were visited by two delegations from China and one from Bangladesh. We have also entered into exchange and secondment agreements with worldwide legislative audit offices. This past year, we sent staff to Western Australia, Barbados and The United Arab Emirates to work and learn, as well as hosted two performance auditors, one from Costa Rica and one from Barbados, as part of the International Fellowship Program.

While in the UAE, staff worked in the IT Audit department of the State Audit Institute, gaining international audit experience in IT security. Similarly, while in Barbados, staff completed a peer review of the audit office. We look forward to negotiating more exchange opportunities for our staff in the coming year.

In March 2010 our office hosted the second joint meeting of the Australasian Council of Auditors-General (ACAG) and the Canadian Council of Legislative Auditors (CCOLA) in Vancouver. The meeting provided an opportunity for the offices to update each other on the significant challenges facing their operations. A key benefit has been the establishment of enhanced communications between the offices and the sharing of views on improving our operations.

Performance Indicators

Our key performance indicators are outcome-based and speak to our performance in its broadest sense. They highlight factors that we feel add the greatest value for our primary client group, the Legislative Assembly, namely:

- relevance of the indicators in relation to our strategic goals;
- validity of the indicators (i.e., whether they measure what they are intended to measure);
- availability and reliability of data;
- clarity, comprehensiveness and transparency of the indicators; and
- ability of the indicators to provide reliable comparisons over time.

Each performance indicator states our target, actual achievement and future expectations and is tied to our four immediate outcomes: relevance, efficiency, value and excellence. Exhibit 6 shows the summary of our 2009/10 results and how our performance indicators link to our immediate outcomes.

We strive for continuous improvement and, as such, set "stretch targets." At the same time, our targets must be grounded in risk assessment and past performance and, where possible, be informed by benchmark comparisons. The latter are challenging to find because other legislative audit offices measure their performance in different ways, have different degrees of public accountability and, in some cases, have different mandates.

Given that two of our four performance indicators are only in their third year, historical data is limited. In these

circumstances, future expectations are determined based on our best understanding of what is achievable in the coming year. More robust targets will evolve as data is accumulated and analyzed in ensuing years.

Ensuring Data Reliability

The performance data in this report is obtained from three main sources: the Office's internal management information systems, our publicly available audit reports, and third-party survey data. Data sources and quality are described for each key performance indicator. Data reliability means:

- all performance data in this annual report is reliable and verifiable and has been independently assessed by external auditors;
- internally generated data is compiled by internal financial and communications groups;
- externally generated data is provided by professional, third-party survey providers producing data on our behalf; and
- any significant limitations in the quality of the data presented are fully disclosed.

Relevance means:

- enhancing the credibility of government's financial reporting to capital markets through our audit opinion on the Summary Financial Statements of the Province of British Columbia;
- building public confidence in the Province's financial transactions and performance through our independent audits;

- producing audit opinions, reports and information that are useful to, and readily understood by, MLAs and members of the public; and
- contributing to better government by providing useful recommendations, both in our public reports and in our communications with the management of audited organizations after each audit.

Are We Relevant?

We concluded that our work in 2009/10 was relevant, based on: PAC acceptance of our Financial Statement Audit Coverage Plan; the positive effect our follow-up reports had; and the significant number of suggestions for audit topics that we received from MLAs and British Columbians.

For financial statement audits, the 2009/10–2011/12 coverage plan was accepted as relevant without changes by the PAC in November 2009. To better align with new standards for the audit of Summary Financial Statements, we have increased our planned audit coverage in the health and education sectors over the past several years. Looking ahead, we are revisiting our coverage of the Crown sector. A risk-based assessment is always used to determine appropriate changes. Given that we are changing to international audit standards for the 2011 audit cycle, the new standards will require a greater degree of communication between our Office and private sector audit firms.

The audits undertaken in our other two lines of business (Performance Audit, and Governance & Accountability Audit) may be perceived as more sensitive. To preserve the independence of our audit selection process for our performance audits, we are not required to (and do not)

Exhibit 6: Summary of 2009/10 Performance Results

<i>Immediate Outcome</i>	<i>Key Performance Indicator</i>	<i>2009/10 Target</i>	<i>2009/10 Actual</i>
Relevance	<i>Proportion of performance audit reports completed in response to questions from MLAs and British Columbians</i>	40-20%	8%
Efficiency	<i>Number of audits completed</i>	69	60
Value	<i>Percentage of MLAs surveyed who believe our work over the last year promoted efficient and accountable government</i>	80%	71%
Excellence	<i>Staff motivated and inspired ("engaged") by their work</i>	75	73

submit a plan for legislator approval. However, to ensure relevance and provide people with the opportunity to comment on our work, we: follow a detailed communication process before beginning any audit; request feedback from our auditees throughout the audit; and provide the Minister responsible for the audit area with the final report seven days before the Speaker tables it with the Legislative Assembly.

We select audit topics based on our assessment of risks and significance – for instance, the government environment, the amount of related financial expenditure, the degree of public interest, and our capacity to complete the work. To accommodate emerging priorities, our audit selection process is dynamic. In this way, we strive to ensure our audit topics are relevant.

PERFORMANCE INDICATOR 1

Proportion of performance audit reports completed in response to questions from MLAs and British Columbians

Description and Importance

One of the Auditor General's key operational objectives is to be responsive to our clients – British Columbians and their elected representatives. As such, our clients are encouraged to provide their suggestions for audit topics to the Office in writing or online at www.bcauditor.com. We ask MLAs regularly for their ideas and receive many more from the public, non-profit organizations, labour organizations, industry associations and academic researchers. Each suggestion is valued, carefully reviewed and incorporated in our planning processes where possible.

It is our view that the proportion of audit reports originating from a question or request is indicative of how responsive we have been and, by extension, how relevant our work is. However, not all audit suggestions can be pursued. We receive many more suggestions than we have the capacity to address, and some suggestions are either outside our mandate or do not fit within our audit selection criteria.

Performance

In 2009/10, we released 12 performance audit reports (see Appendix A). Of these, one (*The PARIS System for Community Care Services: Access and Security*) was completed in response to an external request. Therefore, 8% of our reports were in



Katrina, BCom (Manager, Finance and Administration)

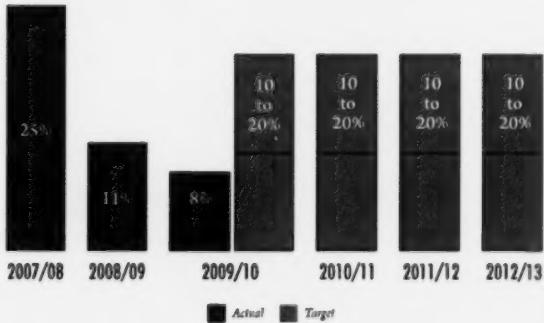
response to requests from MLAs and the public, just shy of our target of 10–20%.

Setting Targets

Outside of financial audits, our work program balances our goal to be responsive with the need to maintain a strategic, risk-based approach. While we increased our number of performance auditors in 2009/10, our capacity will always limit our output.

We received numerous audit suggestions in 2009/10, many of which had already been identified through our ongoing topic selection process. Externally suggested audit topics are

Proportion of Performance Audits Completed in Response to Questions from MLAs and British Columbians



assessed using the same parameters as internally generated ideas, and must meet the same tests of significance, usefulness and ability to be audited.

Because we do not control the quality, quantity and relevance of the requests we receive, it is challenging to commit to a pre-determined number of audits derived from external suggestions. We do not yet know where the balance lies. Going forward, however, we continue to anticipate that between 10% and 20% of our performance reports (approximately two reports) will be in response to external suggestions.

Major Programs and Strategies

In the upcoming year, the Auditor General will continue to solicit MLA feedback and present report findings to interested and relevant audiences.

In a commitment to sustainability and the environment, all reports in 2010/11 and beyond will be produced in electronic format only. We look forward to developing and implementing an online media strategy to direct interested parties to our online reports. As well, we plan to produce a guidance brochure to explain the financial audit process to auditees and develop a Wikipedia page to ensure accurate information about the role and function of British Columbia's Auditor General is easily accessible by our clients.

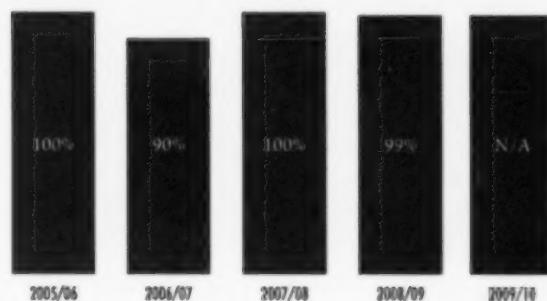
Recommendations Approved by the Public Accounts Committee

We track the percentage of our audit recommendations endorsed by the PAC each year.

The PAC did not meet often over the past fiscal year, but – while not obligated to review all of our reports – committee members did review five of them in 2009/10. We are unable to calculate an acceptance rate for recommendations this year because none of the reports reviewed by the PAC contained recommendations related to our performance, governance or environmental audit work.

Nevertheless, the PAC's historically strong acceptance of our recommendations, as shown in the graph above, provides evidence of the relevance of our work. We aim for all of our recommendations to add value and be practical, and will always strive for a 100% endorsement rate from the PAC.

Proportion of the Office's Recommendations Endorsed by the PAC



Implementation of Recommendations

The extent to which our recommendations have been implemented by the audited organization is another useful indicator of our relevance.

Every six months we ask a variety of audited organizations to send us self-assessment progress updates regarding implementation of our report recommendations. Our most recent follow-up report, published in March 2010, included detailed updates on 10 of our previous audit reports, as well as a cumulative update on the implementation of all recommendations covered by our Office's follow-up reports.

We expect most recommendations to be addressed by the time of the first follow-up review, although we recognize that there are exceptions (and, thus, do not expect 100% of our recommendations to have been implemented in any one year). Some recommendations may take years to implement. For others, organizations may find different ways than what we recommended to address underlying issues.

Of the 467 recommendations included in our follow-up reports since October 2008, audited organizations report that they have addressed 92%: 86% fully or substantially and 6% through alternative action.⁴ Only two recommendations remain significantly outstanding, while the remainder have been partially implemented. Such a high implementation rate reinforces the relevancy of this Office's work in promoting effective, efficient and economical management in government.

⁴ As reported directly by each auditee and published in our semi-annual follow-up reports.

Going forward, we will continue to routinely follow up on reports approximately one year after they are issued – and sooner for urgent matters or where organizations had the opportunity to address significant issues in advance of our report being released.

Accessibility

We track the number of times each of our reports is downloaded from our website, www.bcauditor.com. While the numbers alone do not indicate whether our work is considered relevant, download rates do demonstrate public interest in our work. In 2009/10, we noted that 178 individual reports were downloaded a total of 15,156 times from our website. The most frequently downloaded report (1,148 times) was *British Columbia Crown Corporations Executive Compensation Arrangements: A Work in Progress*.

Efficiency

Efficiency is the second of our four key outcomes. It drives the volume of work we generate and, by extension, the impact we have. As a public sector entity, the amount of work we can produce is constrained by the funding we receive. For 2009/10, we received total funding of \$15.5 million. It is our responsibility to use this funding efficiently in order to produce maximum output.

Are We Efficient?

We concluded that we were efficient in 2009/10, remaining almost on par with last year's achievements of the volume of audits completed.

PERFORMANCE INDICATOR 2

Number of audits completed⁵

Description and Importance

Our primary outputs are financial statement audit opinions, and reports from our Performance and Governance & Accountability audits. Given a relatively constant appropriation over time, the number of audit opinions and reports we produce is a broad measure of our Office's overall efficiency. In our view, this is an important, highly

relevant measure to our stakeholders, as our reports and audit opinions are the most visible evidence of our work.

Performance

In 2009/10, we released a total of 60 opinions and reports: 48 financial statement audit opinions (2008/09: 42; 2007/08: 36) and 12 performance audit reports and other opinions or reports (2008/09: 22; 2007/08: 12). This is a small decrease over last year's total number of opinions and reports (64), and includes fewer performance audits and more financial audits.

Streamlining our performance audit process is one of several planned initiatives aimed at improving efficiency in order to reduce resource and time requirements. While we are only in the initial stages of this process, positive feedback from our clients ensures we will continue to improve our reporting tools and timeliness over the coming year.

It is important to note, however, that the number of audits produced is strongly influenced by product mix. Generally speaking, performance audits tend to be significantly more expensive to complete than financial statement audits and, as previously mentioned, are limited by our appropriation and capacity. As well, the time and resources required to complete an audit varies considerably among performance audits.

Setting Targets

Looking ahead, our goal is to generate 69 reports in each year, 2010/11 and 2011/12. Achieving this depends in part on our appropriation being 100% of our requested resources. Assuming this is so, we set stretch targets to ensure we are as efficient as possible.

Major Programs and Strategies

In 2008/09, we began streamlining our performance audit processes with a view to improving our efficiency. This includes a greater emphasis on project management, particularly in late 2009/10. In the past, some performance audits took us as long as two years to complete. We continue to work towards reducing this time and have recently completed some performance audits in six to nine months. In addition to allowing us to produce more reports, shorter timeframes will ensure that our reports are more relevant given that our findings and recommendations will be released sooner. Project management and on-time performance continue to be areas of focus in the coming year.

⁵Last year, all targets and prior year actual results were revised to include audit opinions provided for subsidiary organizations and other assurance work conducted as part of our Financial Statement Audit Coverage Plan.

On-time Performance

The relevance of information used for decision-making decreases with time. It is therefore important that we complete our reports in a timely manner while still balancing speed with accuracy. Quality cannot be compromised. For this reason, we have checks and balances to ensure that our audit work is thorough and our conclusions are well supported. However, performing these checks and balances – such as multiple levels of review, internal and external challenge, and fact clearance – takes time.

Unforeseen events can also affect our ability to deliver within planned timeframes. For instance, in February and March 2010, respectively, the Auditor General released his reports *The PARIS System for Community Care Services: Access and Security* and *Wireless Networking Security in Government: Phase 2*. Although both reports were completed well before the release date, they were withheld for several months to give government time to address the serious security issues we identified before the documents were publicly released.

Because of such challenges, we track how well we meet planned timelines rather than how quickly we complete audits. In 2009/10, we completed 95% of our audits within approved timeframes. Our five-year historical average is 88%.

Proportion of the Office's Audits Delivered Within the Approved Time Frame



polarized environment such as the Legislative Assembly. For us, value is derived from producing reports on topics that readers find interesting and appropriate and from making recommendations that end up improving government performance. Value is created when we produce information in a timely manner and when we are efficient in the use of our resources. We strive to have most MLAs conclude that, on balance, the work of the Office promoted efficient and accountable government.

Did We Provide Value?

For the third year in a row, we conducted a survey of all MLAs to assess whether they felt we had provided value. The survey questions ask about MLA knowledge of the Office and its work over the past year and about MLA views about our reports, our credibility, and our responsiveness to Members' needs. The results indicate to us how we can better provide value to legislators in the future.

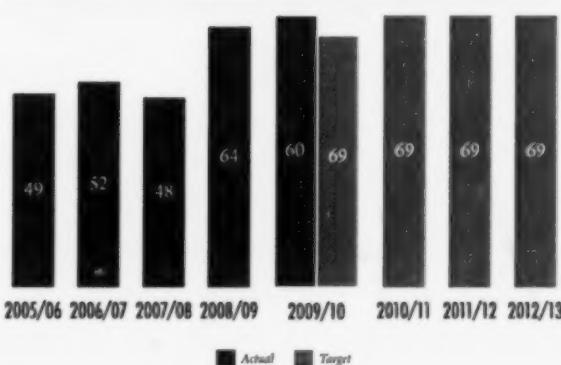
The latest survey results showed that while legislators believed we provided value in 2009/10, there remain several areas where we could improve, as discussed in more detail under Performance Indicator 3.

Value Value is the extent to which the Office adds value to the work of government. This is measured by the proportion of audited reports that are delivered within the approved time frame.

The most meaningful indication of the extent to which the Office adds value is from the perspective of MLAs and British Columbians. We recognize that value is highly subjective and varies from person to person, especially in a politically

Number of Audits Completed

Sources: Office of the Auditor General of British Columbia website and management information systems.
www.bcauditor.com/ticks and www.bcauditor.com/about/auditcompliance.aspx



■ Actual ■ Target



Performance Auditors

Top row, left to right:

Pam, MEd, BScN (Manager);
Jacynthe MA, BA (Manager);
Jessica, PhD, BA (Audit Analyst);
Laura, MPA, BA (Senior Manager);
Beverly, MA, BA (Audit Analyst)

Bottom row, left to right:

Laura, BSocSc (Audit Analyst);
Ken, MA, MSc, MA, BA
(Manager); Kathy, CA, CMC,
BCom (Director); Reed, MA, BA
(Manager); Pamela, (Barbados
Exchange Auditor)

PERFORMANCE INDICATOR 3

Percentage of MLAs surveyed who believe our work over the last year promoted efficient and accountable government

Description and Importance

During January to March 2010, all 84 sitting MLAs were invited to participate in a survey conducted on behalf of the Office by independent survey company R.A. Malatest and Associates Ltd. In all, 54 MLAs responded. This represents a valid response rate of 64%, a 15% increase in response rate over last year. While we will always strive to improve this number, it reinforces our recent focus on improving communication and awareness of our work among legislators.

In the past year, the Auditor General met with a number of MLAs with the aim of strengthening the relationship they have with the Office.

Performance

MLAs were asked if they felt that "the work done by the Office has promoted efficient and accountable government." Of those who responded, 71% either agreed or strongly agreed with the statement and 16% were neutral.

While this is an improvement from 2008/09's results, it remains 9% below our target for 2009/10 of 80%. At the same time, however, 92% (2008/09: 87%, 2007/08: 77%) of MLAs agree or strongly agreed with the statement, "the Auditor General provides value to the public" – an increase of 5% from the previous year.

Setting Targets

Our work often deals with contentious and challenging issues, so we do not expect our investigations or our findings to appeal to everyone. However, we do expect to see an upward trend in this performance indicator in future years at least (if for no other reason) as a result of our increased interaction with a greater number of MLAs. We will continue to aim for 80% in 2010/11 and to maintain that target through to 2012/13.

Major Programs and Strategies

In addition to our ongoing efforts to solicit from all MLAs both input for our work program and feedback concerning our reports, we will continue to work to further educate British Columbians of the Office's role and the nature of our work.

Other Indicators of Value

An important means of providing value is to ensure the work we produce is usable for our readers. This means that our reports must be readable, comprehensible and relevant.

Of the MLAs who responded to our 2009/10 survey, 94% said that the level of detail in our reports was appropriate given the topic – an increase of 6% over last year's response and 20% over that for the 2007/08 survey. We are pleased that shortening our reports to improve readability and increasing our focus on achieving the appropriate level of detail appears to have been successful.

As well, our reports always provide an opportunity for the Minister responsible for the audited organization to respond to our work. These response letters almost always indicate that he or she valued our work.

Excellence for us means ensuring that our professional staff complete their work to the highest standards and always strive for continuous improvement. We discuss excellence in terms of employee engagement, meeting professional standards and maintaining positive, professional relations with the organizations we audit.

Did We Achieve Excellence?

The Auditor General's mandate flows from the Auditor General Act and provides required access to conduct audits. The Act requires the Auditor General to conduct financial statement audits "in accordance with generally accepted auditing and assurance standards." Audits in our performance and our governance and accountability lines of business are also conducted in accordance with these standards.

We are a licensed training office of the ICABC. Similar to public accounting firms, the ICABC is periodically invited to review our work and our training program to confirm that we are meeting their professional standards. The last review undertaken was in 2008/09, and we are pleased to say that we passed all aspects of the review.

All of our audit files are subject to multiple levels of internal review to ensure, among other things, compliance with audit standards. The audit files of private auditors providing services under contract are reviewed similarly.

We have a small professional practices department to ensure our audit practices, methodology and training comply with current standards and that we are prepared for new requirements as they evolve. Our professional practices team is currently working towards the pending implementation of

International Financial Reporting Standards, which will apply to several public sector organizations beginning in January 2011. We are also in the process of revising our Performance Audit Manual to help ensure that this work continues to meet quality control requirements.

We also undertake an annual work environment survey, which covers key areas such as workplace values, leadership, pay and satisfaction, and is used to determine employee engagement.

PERFORMANCE INDICATOR 4

Percentage of staff motivated and inspired ("engaged") by their work

Description and Importance

This measure shows the percentage of our employees, responding to our work environment survey who "strongly agreed" or "agreed"⁶ with the following employee engagement measures:

- I am satisfied with my job.
- I am encouraged to be innovative in my work.
- I am inspired to give my very best.
- I am proud to tell people I work for the BC Public Service at the Office of the Auditor General.
- I would recommend the Office of the Auditor General as a great place to work.

The 2009/10 survey was sent electronically to all staff and a 77% response rate was achieved.⁷ Engagement is important because it indicates how motivated and inspired staff are by their work. Engaged employees are productive and committed, and high employee engagement is a predictor of a high-performing organization. Success in this measure is important because all of the Office's work is done through people. This makes a high level of work engagement critical.

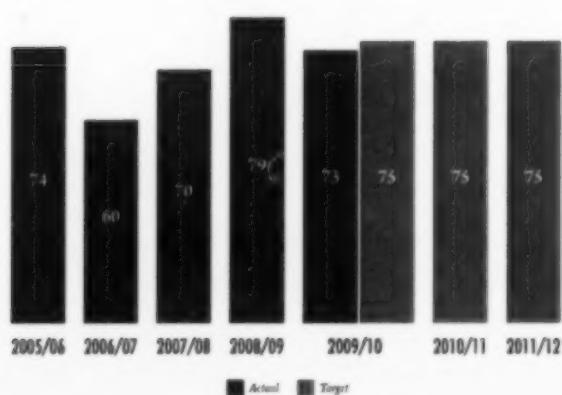
Last year, we migrated from the small survey tool that we had used for years to the provincial government's standard work environment survey. The latter is much more robust, provides more detailed feedback and enables comparisons to be made

⁶ Based on a 5-point Likert-style scale ranging from strongly agree to strongly disagree.

⁷ Because confidentiality is critical for survey results to be valid, the survey was conducted and information collated and analyzed by an external consultant. No individually identifiable information was provided to management.

Staff Motivated and Inspired ("Engaged") By Their Work

Source: Office of the Auditor General of British Columbia, Staff Engagement Survey.



We attribute the slight reduction in score to the change in survey tool as previously mentioned and look forward to standardizing our achievements over the coming years. The engagement score is a measure of the overall "pulse" of the Office, and a high score of 73 indicates that numerous staff feel motivated and inspired by their work.

Setting Targets

Work engagement score targets can be challenging to meet and as with many of our other targets, we often set stretch goals to challenge ourselves. Looking back over the past five years, we are very pleased with the strong results and the high level of staff engagement in our Office.

Over the past year we initiated an internal work environment survey team to gather staff input on how to improve employee engagement. Feedback was provided to the Office's executive team and changes were approved and implemented. We also anticipate that our revised employee recognition program will continue to reinforce our positive results over the coming years.

Major Programs and Strategies

Work engagement is the cumulative result of hiring the right people, making the right work allocations and providing the right supports and incentives. For the upcoming three years, the Office is planning a variety of innovative, competitive recruitment strategies, such as the "Make a Difference" branding campaign.

with the BC public sector overall. As a result of the shift in survey tools, our engagement results appear to have declined. However, we are confident that employee engagement remains high in the Office.

Performance

The Office target for the engagement score was 75. The actual was 73 – a score which is consistent with that in a highly engaged organization (as found in most top employers) and which is higher than the engagement score of 68 in the BC public service in 2009/10.⁸



⁸ BC Public Service Work Environment Survey 2009.



Beverly, LLB, CMA, BBA
(Assistant Auditor General);
Brian, CA, BA [Executive
Director]; Michelle, MPAcc, CA,
BCom [Manager]

We have three major goals for 2010/11:

- Build our internal capacity.
- Improve our competitiveness.
- Manage for results.

We are investing in our people by promoting mobility and new work experiences, supporting employee learning and career development, more carefully managing the use of external resources, developing expertise in specific job streams and creating more entry-level positions for the next generation of career staff.

We are establishing a strong profile for the Office of the Auditor General as a competitive and attractive employer by increasing our marketing and recruiting efforts, modernizing and improving hiring practices, establishing competitive employment packages, and forming partnerships with professional associations and post-secondary institutions.

We are also changing the work environment and culture to achieve stronger employee engagement, enhanced productivity and improved workplace health. And we are putting increased focus on innovation and leadership development.

Other Indicators of Excellence

Excellence is also gauged by how well the Office meets client needs. As part of our MLA survey, we asked legislators if they thought we were responsive to their needs. Of the 54 MLAs who responded, only three people indicated that we were not responsive.



Danielle, BCom [Senior Audit Associate],
Megan, CA, BCom [Senior Auditor]



Albert, CA, BBA (Auditor);
Violet, CA, BCom (Auditor);
Kevin, BCom (Senior Audit
Associate)

Building Performance Audit Capacity

In 2003, the Legislative Assembly enacted a revised Auditor General Act that made the Office's mandate broader and more comprehensive. In addition to reporting on whether the financial statements of the Province meet generally accepted accounting principles (GAAP), the Auditor General must also report to the Legislative Assembly anything that he or she considers should be brought to the attention of the Assembly. This includes whether government is operating economically, efficiently and effectively and whether procedures established by government to measure and report on the effectiveness of programs are adequate and complied with.

One of our key goals relates to informing legislators and the public about how well the Province is managing its \$38 billion in reported expenses and revenues and \$65 billion in assets. In 2010/11, we expect to complete 25 performance audits. This does not imply that we provide adequate coverage of government's program and service delivery.

Rather, it means that we will provide information on only 25 key subject areas across the 150 entities and 20 ministries that fall within our mandate.

This continues to represent the biggest gap in our current audit work plan. We would like to expand our efforts to be able to provide legislators and the public with information on the management of programs, services and resources in a greater number of areas of government.

We continue to look for ways to improve the efficiency of our work while maintaining our high quality. We also plan to enhance the value of our audits by focusing less on assessing process and more on results.

International Standards on Auditing

New international standards for financial auditing will come into effect in the B.C. public sector on December 31, 2010.

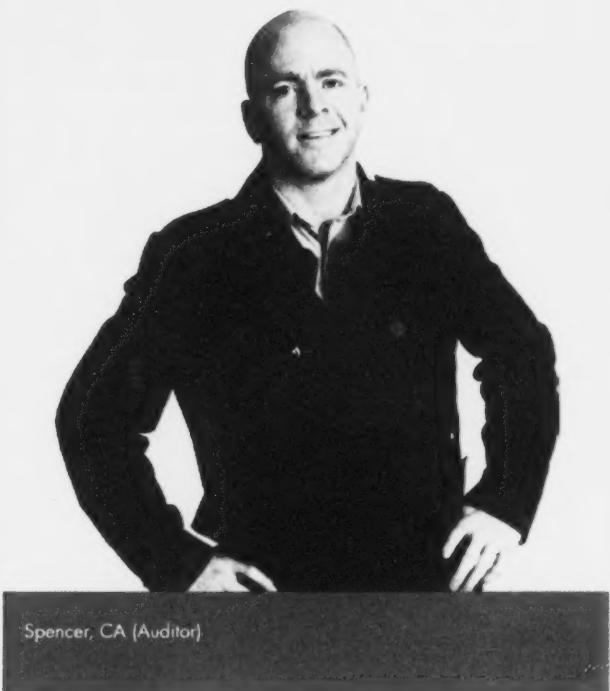
The Office has taken a number of steps to ensure a smooth transition to the new standards. In fall 2009, we updated our quality control system to comply with the new requirements and we trained all staff in early December. We also had a number of training sessions in fall/winter 2009 to familiarize ourselves with the auditing standards and the new structure of the CICA Handbook. In addition, we are currently updating all standard forms and checklists for our financial statement audits to comply with the new requirements.

While we are adopting international standards for financial statement audits, standards for other assurance engagements (such as performance audits) are not changing in the short term, but likely will in the long term.

Change to the Financial Statement Audit Coverage Plan

Each year, we table a plan with the Public Accounts Committee about the nature and extent of the financial audit work we plan to carry out as the auditor of government's Summary Financial Statements. Over the past several years, we have adjusted our audit coverage to align with the new international audit standards related to large, multi-entity audits, scheduled to take effect in British Columbia for fiscal year 2010/11.

We will continue to leverage our knowledge and experience from our basic financial statement audit work to improve processes and effectiveness, and add value across government. Our IT, governance and accountability, financial management and control work helps achieve our mandate of promoting effective and accountable government. In the coming years, we will continue this work, including putting a focus on health care IT, and the operations of several sectors of government.



Promoting Strong Public Sector Governance

Practised on a daily basis, governance is typically about the way public servants make decisions and implement policies. To ensure that these are done properly, the appropriate structures and processes must be in place throughout the whole organization, from the individual employee to entire sections. There must also be a common understanding of the meaning of good governance.

In fall 2008, we issued a detailed conceptual framework for good governance in the public sector. Then in 2009, we explored one of the framework's components – information and decision support – as it relates to public sector boards in British Columbia. We developed a set of guidelines for good practices for information use by public sector boards and, using these, sent a survey to every board member in the 141 public sector organizations in the province that have boards.

The responses provided us with a baseline to better understand how boards and their members are accessing and using the information they require to fulfil their responsibilities. The results were published in December 2009 in our report *Making the Right Decision*. The guidelines are also available on our website with an analysis of comments from the survey. The response rate of over two-thirds was encouraging, as this is the first time we have engaged with board members on this scale, and provides a strong foundation for future work.

In November 2009, we also reported the results of our audit of executive compensation arrangements in British Columbia Crown corporations. We had found that while government has set clear direction to manage executive compensation, improvements were required.

Our framework for good governance continues to guide our work within individual organizations and sectors and across the public sector as a whole. The Office sees the promotion of good governance and accountability as part of its mandate and has dedicated an appropriate level of resources to this. The promotion of good governance and accountability is being achieved through our reports and through the guidance on good practice provided to help public bodies.

Greater Focus on Sustainability and Environmental Management

British Columbia's economy and society have been built on a wealth of natural resources. Continued use of these resources depends on effective stewardship to provide sustained benefits into the future. The sustainability of our



Grace (Central Services Coordinator)

economy and society requires that environmental values be recognized and maintained. Managing the impacts of climate change, balancing environmental needs with community and economic development, and responding to the continued evolution of the province's energy and water strategies are several of the important environmental stresses facing government and the public.

These environmental stresses highlight the need for legislators to have an increased level of assurance about government's performance in managing our environment. The Office reorganized in 2008 to ensure that we focused greater attention on these issues, establishing a group dedicated to examining government's performance in sustainability and environmental management. To build capacity to conduct the necessary work, we have added several staff with academic and professional backgrounds in environmental areas complementing the experienced performance auditors already in place. We maintain flexibility and efficiency in the use of our resources by supplementing our permanent staff with use of auxiliaries and co-op students.

We are also continuing to develop a long-term plan to identify the matters on which we will be focusing over the next two to three years. The challenge facing us is to continue to select projects that focus on the issues most important to legislators and the public while maintaining the flexibility to respond to emerging issues.

The Office's Green Team

With the increasing importance of reporting on government performance in environmental management, the Office of the Auditor General recognizes its own responsibility to take due care for the environment. In May 2009, the Office established a Green Team entrusted to enhance sustainability and improve environmental consciousness within the workplace. Immediate action included creating a baseline of the Office's "green activities" on which to measure future progress and achievement. This resulted in an assessment of travel, supply choices, paper consumption and staff engagement in green initiatives, and recommendations for continued progress in each area.

In accordance with our commitment to reduce, re-use and recycle, the Office established a comprehensive recycling program for organics, soft plastics, refundable beverage containers, mixed containers, mixed paper and corrugated cardboard. Garbage bins were removed from all work stations, thereby diverting 3,185 kilograms of waste from the landfill in fiscal 2009/10. Looking ahead, the Office hopes to share this success and influence other offices to adopt a similar program.

In the coming year, we aim to move closer to carbon neutrality and sustainability. This includes adopting government's SMART TEC tool to more accurately monitor staff travel emissions, and installing video-conferencing facilities to reduce travel. A recent installation of wireless internet in our Office enabled paperless meetings. As such, we anticipate a reduction in our paper consumption.

IT Systems

Government's reliance on complex computing technologies continues to increase. Minimizing inherent risks and maximizing the ability to detect problems requires strong control environments to ensure the reliability, accuracy and confidentiality of information. To determine if the established controls are adequate, our Office conducts IT audits.

Over the last year, our Office released two IT audits and in February 2010, we started a cross-government review of the results of the government's Security HealthCheck, a self-assessment of the state of IT security and management.

Our future focus may include assessing control environments in areas such as payment processing, centralized databases, government web applications and authentication services for clients requiring access to internal government resources or e-services.

Financial Management

Good financial management ensures funds are obtained at a minimal cost, deployed efficiently and used in a way that provides good value for British Columbians. Meeting these objectives requires the right processes, controls, accountability mechanisms and information for decision making. The cost to taxpayers of not doing this right can be very significant as the Province manages assets, liabilities and annual expenses in the tens of billions of dollars.

This year, our office conducted work in several important areas of financial management including working capital management, management of grant programs and capital

procurement through public-private partnerships. We also reviewed financial management practices in some government organizations as part of our financial audits and through special projects where specific risks were identified.

Looking ahead, we plan to continue work in these and other important areas of financial management to examine how well government is managing its finances.



Charles, BCom (Senior Audit Associate); Phil, MPAcc, BCom, (Senior Audit Associate); Larry, CA, BBA (Senior Manager);
Leslie, BCom (Senior Audit Associate); Joe, BBA (Senior Audit Associate)

OUR FINANCES

Management's Discussion and Analysis

Management has prepared a discussion and analysis of the Office's business operations and significant events that have affected the results of operations and financial position for the year ended March 31, 2010, relative to the same period last year and to the service plan published in June 2009. This discussion and analysis of our financial performance should be read in conjunction with our financial statements and related notes. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Management has included forward-looking statements, including statements regarding the business and anticipated financial performance of the Office. These statements are subject to a number of risks and uncertainties that may cause actual results to differ from those contemplated in the forward-looking statements.

The Auditor General's mandate is broad, covering audits not only of the financial statements of the Province, but also of government's performance reports and the delivery of specific programs and services. Through the work of the Office, the Auditor General provides the public and the Legislative Assembly with a strong means for holding government to account for how it delivers programs and services to the people of British Columbia.

In 2009/10, the voted appropriation we received from the Legislative Assembly to fund our operations was \$15.5 million. This amount reflects the estimated full cost of operations as the Office did not recover fees for service engagements and was fully funded. The Legislative Assembly also approved a separate appropriation for capital expenditures of \$250,000.

In 2009/10, the actual total cost of our operations was \$15.3 million, approximately \$232,000 less than planned; and capital purchases were \$65,000 less than planned. Our unused appropriation cannot be used in subsequent fiscal years. Exhibit 7 summarizes these high-level variances. Further details are provided in the remainder of this discussion and analysis.

In previous years, our greatest challenge was attracting and retaining staff. The Office has had some success with attracting and retaining new staff, but continues to face competition in the market for accounting professionals as well as increasing pressure from pending retirements. As salaries and benefits, along with professional service contracts, make up 81% of our total operating expenses, changes or fluctuations in staff or in our resource mix can shift our financial position significantly from what was planned.

For fiscal year 2010/11, the Legislative Assembly has approved an appropriation of \$15.4 million to fully fund our work program and operations. This will give us the funding to staff up to a level of 115 FTE employees, offer competitive compensation, and provide all the necessary support and infrastructure required to carry out our work program.

Exhibit 7: Office Expenditures Compared with Planned and Prior Year, 2009/10 (in \$000s)

	Fiscal 2009/10 Actual	Fiscal 2009/10 Planned	Variance Actual to Planned	Fiscal 2008/09 Actual	Variance 2009/10 to 2008/09	Fiscal 2010/11 Planned
Salaries and Benefits	11,073	11,770	(697)	10,068	1,007	11,864
Professional Services	1,360	1,126	234	1,597	(237)	923
Other Expenses	2,871	2,640	231	2,581	290	2,613
Total Operating Expenses	15,304	15,536	(232)	14,244	4,060	15,400

Exhibit 8: Distribution of the Office's Expenditures Across Functions, 2009/10 (in \$000s)

	<i>Direct Costs</i>	<i>Indirect Support Costs</i>	<i>Overhead Allocation</i>	<i>Total Expenditures</i>	<i>%</i>
<i>Financial Audit</i>	6,198	2,705	1,033	9,936	65
<i>Performance Audit</i>	2,366	947	394	3,707	24
<i>Governance and Accountability</i>	1,062	422	177	1,661	11
<i>Total</i>	9,626	4,074	1,604	15,304	100

Historically, over one-half of our resources are planned and used in auditing the government's Summary Financial Statements and the financial statements of some government organizations as set forth in our Financial Statement Audit Coverage Plan. In 2009/10, we used 65% of our resources in the conduct of financial audits and 35% in the conduct of performance audits and Governance & Accountability work (as shown in Exhibit 8).

Direct costs include those related to specific audits such as travel, report publications, contract services and specialized training. Indirect costs include all support activities directly required to conduct audits, such as core training and professional development and information technology. Overhead includes items such as office financial services and corporate professional services.

In 2009/10, we planned to increase our staff complement to 115 FTEs, an increase of 10 staff over our prior year plan (as shown in Exhibit 9). Our actual spending on salaries and benefits in 2009/10 was \$697,000 less than planned, but \$1 million more than that of the prior year. Exhibit 9 shows comparative figures for planned, actual and prior year spending for salaries and benefits, along with related FTEs.

In 2009/10, there were 12 departures from senior financial audit positions at the Office. In an effort to meet its recruitment needs and the increasing global demand for qualified chartered accountants, the Office decided to increase the number of audit associates hired and commit to their long-term development and training. While audit associates develop into qualified chartered accountants, their salaries and benefits are less than those of qualified auditors. As a result of these factors, our fiscal-year expenditures for

Exhibit 9: Year-Over-Year Planned and Actual Staff Expenditures, with Associated FTEs, 2009/10 (in \$000s)

	<i>Fiscal 2009/10 Planned</i>	<i>Fiscal 2009/10 Actual</i>	<i>Variance Planned to Actual</i>	<i>Fiscal 2008/09 Planned</i>	<i>Fiscal 2008/09 Actual</i>	<i>Variance 2009/10 Actual to 2008/09 Actual</i>
<i>Salaries and Benefits</i>	11,770	11,073	(697)	11,430	10,066	1,007
<i>FTEs</i>	115	112	(3)	105	96	14

salaries and benefits were below planned expenditures.

Leave costs and associated benefits are also included in the salary and benefits expenses. A concentrated effort was made to ensure staff took their earned vacation. In addition to benefiting the well-being of the employees, holiday-taking also reduced the leave costs incurred by the Office.

Corresponding with the underspending in salaries and benefits was an overspending in professional services. In 2009/10, we spent \$234,000 more than planned. However, that was \$237,000 less compared with the prior year's, a result attributable to the increase in staff in 2009/10. This trend illustrates the correlation between FTE levels and the need for professional services to augment our staff.

Exhibit 10 highlights the professional service expenditures we incurred to augment our audit work and our corporate activity requirements during 2009/10.

Contract services were required to implement initiatives and carry out projects. The Office created an internal review program that required the services of an independent auditor. The Office also experienced a one-time increased demand for legal services. Training services increased with advanced core training for topics such as the new international financial reporting standards, and the introduction of the Harmonized Sales Tax (HST).

Exhibit 10: Distribution of Professional Services Expenditures, 2009/10 (in \$000s)

	2009/10	2008/09	Variance
Audit Work			
<i>Financial Audit Contractors</i>	213	388	(175)
<i>Fees to Audit Firms</i>	306	437	(131)
<i>Performance Audit Consultants</i>	132	211	(79)
<i>Standards and Quality</i>	73	73	0
<i>Audit report editing</i>	23	16	7
	747	1,052	(305)
Indirect Audit Support			
<i>Human Resources</i>	70	157	(87)
<i>Information Technology</i>	68	143	(75)
<i>Training</i>	158	114	44
	296	414	(118)
Corporate Activities			
<i>Financial and Audit</i>	34	48	(14)
<i>Office Services</i>	132	59	73
<i>Legal Services</i>	150	23	127
<i>Corporate Report Editing</i>	1	1	0
	317	131	186
Total Professional Services Expenses	1,360	1,597	(237)

How Our Audit Staff Spend Their Time

In 2009/10, our audit staff spent 81% of their available work time on tasks directly related to performing audit work and an additional 8% of their time staying on top of professional standards (through taking required training and professional development and consulting with our professional practices staff). The other 11% of the time, staff were involved in human resource recruitment activities and in Communities of Practice in various specialty areas; and many are involved in internal committees such as our Health and Safety Committee, our Wellness Committee and our IT Advisory Committee – all of which are essential in maintaining a positive work environment and ensuring excellence in how we do our work. This distribution of audit staff time is shown in Exhibit 11.

Resources Used to Support Our Staff

In 2009/10, we spent \$2.87 million on office and support infrastructure required to carry out the work of our Office. Total office and support expenses included both indirect audit support and overhead. These expenses exceeded our planned budget by \$231,000 and represented an increase of \$290,000 over last year's spending.

Exhibit 11: Distribution of audit staff hours, 2009/10

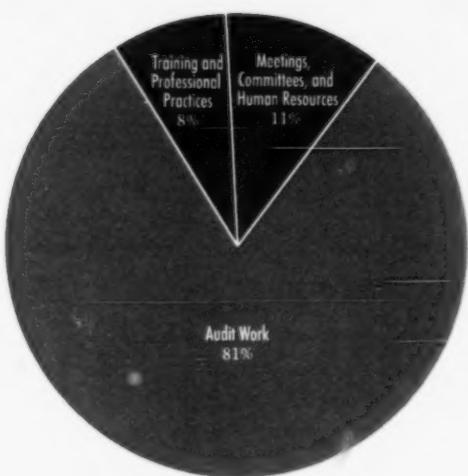


Exhibit 12 shows the major elements of these expenses and provides a comparison of actual expenditures with planned and prior year (2008/09) expenditures.

**Exhibit 12: Comparison of the Office's Planned, Actual and Prior Year Office and Support Expenses, 2009/10
Compared to 2008/09 (in \$000s)**

	Fiscal 2009/10 Actual	Fiscal 2009/10 Planned	Variance Actual to Planned	Fiscal 2008/09 Actual	Variance 2009/10 to 2008/09
<i>Occupancy costs</i>	857	670	187	634	223
<i>Travel</i>	503	600	(97)	513	(10)
<i>Information Technology</i>	481	400	81	545	(64)
<i>Professional Dues and Training</i>	373	380	(7)	258	115
<i>Office Expenses</i>	412	267	145	289	123
<i>Amortization</i>	136	160	(24)	158	(22)
<i>Report Publications</i>	46	100	(54)	121	(75)
<i>Research Grants</i>	63	63	0	63	0
Total	2,871	2,640	231	2,581	290

Our office expenses increased primarily as a result of expenditures related to the non-capital purchase of computer systems and overdue tenant improvements.

Providing staff with the resources they need to do their work is not simply about funding related salary, benefit and contract service expenses. To ensure our work meets the highest professional standards and, in striving toward excellence in the way we perform our work, we commit funds to make sure our staff remain current with professional standards. We also provide staff with opportunities for growth and development.

Last year we spent over \$531,000 in professional dues and training courses for our staff, including \$158,000 for professional services training fees and \$373,000 for professional dues and external training courses.

This investment resulted in nine of our audit associates successfully completing their Uniform Final Exam (UFE)⁹ and becoming chartered accountants. Our success is shared by the rest of the public service, as some newly qualified associates sometimes leave the Office and choose to work elsewhere in the public service.

A Glance at Our Past and A Look into Our Future

Financial trends for the past five years, along with our 2010/11 planned expenditures, are shown in Exhibit 13.

By the end of 2009/10, average FTE utilization was 112, including auxiliary and co-op staff, which put us closer to reaching our 2009/10 goal of 115 FTE.

As we near our planned capacity over the next few years, we need to ensure we have adequate accommodation for staff. Outstanding tenant improvements are required in our existing premises. Also, as the market demand for space in the downtown core continues to increase, finding space for staff may present a challenge. We will likely be faced with higher rent costs in the near future. All other operations costs will, of course, continue to rise as well with inflation.



Jacqueline, MA, BA (Manager); Hamish, LLB, BA (Manager); Jessie, MPA, MIP (Audit Analyst)

⁹The UFE is a comprehensive exam at the conclusion of formal studies, and successful completion is required for someone to become a designated Chartered Accountant.

Exhibit 13: Year-Over-Year Financial Trends in the Office, 2005/06–2012/13 (in \$000s)

	Planned	Actuals for Fiscal Years (ending March 31)					Line Items (as a percent)					
		2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2009/10	2008/09	2007/08	2006/07	2005/06
Operating Expenses											<i>As a % of Total Operating Expenses</i>	
Salaries	9,214	8,659	7,795	6,557	5,961	5,810	56.6	54.8	53.4	55.7	56.7	
Employee Benefits	2,650	2,414	2,271	1,634	1,569	1,425	15.8	15.9	13.3	14.6	13.9	
Professional Services	923	1,360	1,597	1,816	1,250	1,138	8.9	11.2	14.8	11.7	11.1	
Occupancy Costs	686	857	634	696	526	514	6.6	4.5	5.7	4.9	5.0	
Travel	591	503	513	408	361	352	3.3	3.6	3.3	3.4	3.4	
Information Technology	293	481	545	354	305	320	3.1	3.8	2.9	2.8	3.1	
Professional Dues and Training	503	373	258	237	233	227	2.4	1.8	1.9	2.2	2.2	
Office Expenses	195	412	289	318	202	205	2.7	2.0	2.6	1.9	2.0	
Amortization	132	136	158	139	122	123	0.9	1.1	1.1	1.1	1.2	
Report Publications	150	46	121	59	122	82	0.3	0.9	0.4	1.1	0.8	
Research Grants	63	63	63	63	63	63	0.4	0.4	0.5	0.6	0.6	
Total Operating Expenses	15,400	15,304	14,244	12,281	10,714	10,259	100%	100%	100%	100%	100%	
Unused appropriation		(232)	(1,006)	(274)	(292)	(273)						
Capital expenditures	150	185	131	456	182	119						

OUR FINANCIAL STATEMENTS

Office of the Auditor General of British Columbia Statement of Management Responsibility

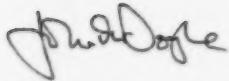
We are responsible for ensuring that the financial statements and other financial information in this annual report are complete and accurate.

We have prepared the financial statements in accordance with Canadian Generally Accepted Accounting Principles.

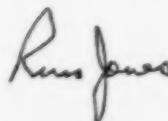
We have developed and maintain systems of internal control that give reasonable assurance that our Office has:

- operated within its authorized limits;
- safeguarded assets; and
- kept complete and accurate financial records.

The Select Standing Committee on Finance and Government Services of the Legislative Assembly appointed Grant Thornton LLP, Chartered Accountants, to audit the accounts of our Office for the year ended March 31, 2010. Our auditors report the results of their audit to the Auditor General. In their report, the auditors outline the scope of their audit and give their opinion on our financial statements.



John Doyle, MBA, CA
Auditor General



Russ Jones, MBA, CA
Assistant Auditor General
Chief Financial Officer



Auditors' report

Grant Thornton LLP
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888 Fort Street
Victoria, BC
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To the Auditor General of British Columbia

We have audited the statement of financial position of Office of the Auditor General of British Columbia as at March 31, 2010 and the statements of operations, and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The budget information presented in the statement of operations is unaudited and should not be considered as part of the financial statements on which we have expressed our opinion.

Victoria, Canada
May 6, 2010

Grant Thornton LLP

Chartered accountants

Office of the Auditor General of British Columbia
Statement of Financial Position (in \$000's)

March 31	Note	2010	2009
Current Assets			
Petty Cash		2	2
Prepaid Expenses	3	91	62
Due from Consolidated Revenue Fund	4	949	812
		1,042	876
Non Current Assets			
<i>Property, Plant and Equipment</i>	7	342	297
		1,384	1,173
Current Liabilities			
Accounts Payable and Accrued Liabilities		1,042	876
		1,042	876
<i>Net Assets</i>	5	342	297
		1,384	1,173

Approved by:

John Doyle, MBA, CA
Auditor General

Russ Jones, MBA, CA
Assistant Auditor General
Chief Financial Officer

The accompanying notes are an integral part of the financial statements.

Office of the Auditor General of British Columbia
Statement of Operations (in \$000s)

March 31	2010		2009
	Planned	Actual	Actual
Revenue			
Operating Grant	15,536	15,304	14,244
Capital Grant	250	185	131
	15,786	15,489	14,375
Expenses			
Salaries and Benefits	11,770	11,073	10,066
Professional Services	1,126	1,360	1,597
Occupancy Costs	670	857	634
Travel	600	503	513
Information Technology	400	481	545
Professional Dues and Training	380	373	258
Office Expenses	267	412	289
Depreciation	160	136	158
Report Publications	100	46	121
Research Grants	63	63	63
	15,536	15,304	14,244
Excess of Revenue Over Expenses Before Purchase of Property, Plant & Equipment	250	185	131
Purchase of Property, Plant & Equipment	250	185	131
Net Operations	-	-	-

The accompanying notes are an integral part of the financial statements.

Office of the Auditor General of British Columbia
Statement of Cash Flows (\$'000)

March 31	2010	2009
Operating Activities		
Paid to Employees	(11,064)	(9,680)
Paid to Suppliers	(3,855)	(4,252)
Fee-for-service Recoveries	-	1,045
Current Year Appropriation	15,056	14,087
Cash Provided by Operations	137	1,200
Investing Activities		
<i>Acquisition of Property, Plant and Equipment</i>	(69)	(132)
<i>Current Year Appropriation for Property, Plant and Equipment</i>	69	132
Decrease in Due from Consolidated Revenue Fund	137	1,200
<i>Due from (to) Consolidated Revenue Fund, Beginning of Year</i>	812	(388)
<i>Due from Consolidated Revenue Fund, End of Year</i>	949	812

The accompanying notes are an integral part of the financial statements.

1. Nature of Operations

The Auditor General is an Officer of the Legislature of British Columbia, appointed for a six-year term by the Legislative Assembly. Non-partisan, objective and independent of the government of the day, he reports impartial assessments of government accountability and performance to the Assembly.

The Auditor General's mandate is established by the *Auditor General Act*. The Act requires the Auditor General to audit the government's annual Summary Financial Statements, and allows the Auditor General to be appointed as the financial statement auditor of any government organization or trust fund. The Act also allows the Auditor General to carry out examinations focusing, among other things, on whether government or a government organization is operating economically, efficiently and effectively; and whether the accountability information provided to the Legislative Assembly by the government or a government organization with respect to the results of its programs is adequate.

Funding for the operation of the Office of the Auditor General (the Office) comes from a voted appropriation (Vote 2) of the Legislative Assembly. The vote provides separately for operating expenses and capital acquisitions. Any unused appropriation cannot be carried forward for use in subsequent years.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies.

a) Legislative appropriations

The Office is funded by the Legislative Assembly through annual appropriations.

b) Change in accounting policy

Fee-for-service recoveries

In 2008/09, the Office changed its policy in accounting for fee-for-service recoveries. Previously fee-for-service recoveries were recognized as revenue in the period in which the related work was performed and was used to fund operating expenses of the Office. For its financial statements as of March 31, 2009, the Office no longer recognizes these fees as revenue as the fees flow directly to the Province of British Columbia.

c) Financial instruments

The Office has designated its financial instruments as follows:

Other receivables as loans and receivables and are measured at amortized cost.

Accounts payable and accrued liabilities as other financial liabilities and are measured at amortized cost.

Due from (to) Consolidated Revenue Fund is classified as either loans and receivables or other financial liabilities and is measured at amortized cost.

It is management's opinion that the Office is not exposed to significant interest, currency or credit risk arising from these instruments.

d) Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation. Depreciation begins when the assets are put into use and is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Computer hardware and software	3 years
Mainframe hardware and software	5 years
Furniture and equipment	5 years
Tenant improvements	lesser of 5 years or term of lease

e) Employee future benefits

i) Pension benefits

All eligible employees participate in a multi-employer defined benefit pension plan. Defined contribution plan accounting has been applied to the plan as the Office has insufficient information to apply defined benefit plan accounting. Accordingly, the Office's contributions are expensed in the year in which the services are rendered, and represent its total pension obligation.

ii) Other future benefits

Eligible employees are entitled to post-employment health care and other benefits as provided under terms of employment or collective agreements. The cost of these benefits is accrued as employees render the services necessary to earn them.

iii) Leave Liability

Eligible employees are entitled to accumulate earned, unused vacation and other eligible leave entitlements as provided under terms of employment or collective agreements. The liability for the leave is managed and held by the BC Public Service Agency.

f) Measurement Uncertainty

These financial statements are prepared in accordance with Canadian generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Provision for staff performance incentives and estimated useful lives of property, plant and equipment are the most significant items for which estimates are used. Actual results could differ significantly from those estimates. These estimates are reviewed annually, and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

g) Future Accounting Changes

The Public Sector Accounting Board (PSAB) sets out the applicable source of Generally Accepted Accounting Principles to be applied by Canadian government organizations.

PSAB's guidance applicable to the Office offers a choice between International Financial Reporting Standards (IFRS) and PSAB Standards. The Office will follow PSAB standards commencing January 2011.

3. Prepaid expenses

	2010	2009
Travel	6	16
Software Maintenance	85	46
	<u>91</u>	<u>62</u>

4. Due from (to) the Consolidated Revenue Fund

The Office does not have its own bank account or hold cash or cash equivalents. All financial transactions of the Office are processed through the Consolidated Revenue Fund of the Province of British Columbia. The "Due from (to) the Consolidated Revenue Fund" balance represents amounts that the Office will receive from, or transfer to the fund.

	2010	2009
Balance, Beginning of Year	812	(388)
Cash Provided for Operations	15,056	14,087
Fee-for-service Recoveries	-	1,045
Cash provided for acquisition of property, plant and equipment	69	136
	<u>15,937</u>	<u>14,876</u>
Expenses During Year		
Paid to Employees	(11,064)	(9,680)
Paid to Suppliers	(3,855)	(4,252)
Paid for acquisition of property, plant and equipment	(69)	(132)
	<u>(14,988)</u>	<u>(14,064)</u>
Balance, End of Year	949	812

NOTES TO THE FINANCIAL STATEMENTS
(\$ millions, except as noted)

5. Net Asset Balance

The net asset balance represents property plant and equipment that has been funded through appropriations.

6. Voted, Unused and Used Appropriation

The Office receives approval from the Legislative Assembly to spend funds through an appropriation that includes two components — operating and capital. Any unused appropriation of both lapse at the fiscal year-end.

	2010		2009	
	Operating	Capital	Operating	Capital
Appropriation (Vote 2)	15,536	250	15,250	150
Fee-For-Service	-	-	-	-
Recoveries				
Total Appropriation Available	15,536	250	15,250	150
Total Operating Expenses	(15,304)		(14,244)	
Capital Acquisitions	-	(185)	-	(131)
Unused Appropriation	232	65	1,066	19

Note 10: Property, Plant and Equipment

(Furniture and equipment at 30/9/09)

7. Property, Plant and Equipment

	Computer Hardware and Software	Mainframe Hardware and Software	Furniture and Equipment	Total
At March 31, 2008				
Cost	479	100	165	744
Accumulated Depreciation	(312)	(46)	(63)	(421)
Net Book Value	167	54	102	323
Year ended March 31, 2009				
Opening Net Book Value	167	54	102	323
Additions	25	-	106	131
Disposals	-	-	-	-
Depreciation	(92)	(18)	(47)	(157)
Closing Net Book Value	100	36	161	297
At March 31, 2009				
Cost	504	100	264	868
Accumulated Depreciation	(404)	(64)	(103)	(571)
Net Book Value	100	36	161	297
Year ended March 31, 2010				
Opening Net Book Value	100	36	161	297
Additions	28	23	134	185
Disposals	-	-	(4)	(4)
Depreciation Charge	(69)	(14)	(53)	(136)
Closing Net Book Value	59	45	238	342
At March 31, 2010				
Cost	480	123	378	981
Accumulated Depreciation	(421)	(78)	(140)	(639)
Net Book Value	59	45	238	342

The Office derecognized certain computer hardware that had been fully depreciated and was no longer in use totalling \$51,705 and \$20,425 of partially depreciated furniture and equipment (furniture and equipment totalling \$ 6,806 in 2009).

Notes to the Financial Statements
 (Amounts in \$000s)

8. Pension Benefits

The Office and all eligible employees contribute to the Public Service Pension Plan, a multi-employer, defined benefit, and joint trusteeship plan, established for certain British Columbia public service employees. The British Columbia Pension Corporation administers the plan, including payments of pension benefits to eligible employees. A board of trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of assets and administration of benefits.

The plan is contributory, and its basic benefits are based on years of service and average earnings at retirement. Under joint trusteeship, the risks and rewards associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions.

Every three years an actuarial valuation is performed to assess the financial position of the pension plan and the adequacy of the funding. The latest actuarial valuation as at March 31, 2008 reported a surplus.

9. Commitments

The Office leases three photocopiers under separate agreements which expire in August 2011, February 2012 and March 2012. The Office also leases office space at 595 Pandora Street. This lease expires November 2010. Future minimum payments under the terms of the leases as of March 31, 2010 are as follows:

Fiscal Year	Commitment
2010/11	45
2011/12	10
Total	55

The Office has an accommodation agreement with the Ministry of Labour and Citizens' Services for occupancy of the space at 8 Bastion Square. The agreement requires that six months notice be given should the Office choose to vacate. The annual rent for this location is \$562,260.

10. Related Party Transactions

The Office is related as a result of common ownership to all Province of British Columbia ministries, agencies, crown corporations and all other public sector entities. The Office enters into transactions with these organizations in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a) *The statement of operations includes the following transactions with related parties:*

	2010	2009
Operating Grant	15,304	14,244
Capital Grant	185	131
Payments for:		
Professional services	-	10
Professional fees and training	-	2
Occupancy Costs	547	549
Information technology	136	126
Office expenses	57	72
Report publications	42	121

b) *Year-end balanced arising from operations:*

	2010	2009
Due from Government	949	812
Trade and other payables	1	1
Net assets	342	297

c) *Other related parties*

Office expenses of \$12,989 in 2009 were incurred with an immediate family member of key management.

Notes to the Financial Statements

(Salaries expressed in \$000s)

d) Key management compensation

Key management includes the Auditor General, the Deputy Auditor General and each Assistant Auditor General. The compensation paid or payable to key management for employee services is shown below:

Job Title	2009/10 Salary Total	Benefits	Payout Unused Vacation			Total
			Payout	Unused	Other	
Auditor General	251	61	36	-	27	375
Deputy Auditor General	118	28	-	-	4	150
Assistant Auditor General	150	36	14	-	-	200
Assistant Auditor General	150	36	14	-	-	200
Assistant Auditor General	150	36	-	-	-	186
Assistant Auditor General	159	38	3	-	-	200
Assistant Auditor General	150	36	-	-	-	186
Assistant Auditor General	134	32	-	-	-	166
	1,262	303	67	31		1,663

APPENDIX A: SUMMARY OF REPORTS ISSUED IN 2009/10

1. 2008/09 Public accounts of Province of British Columbia
2. Summary of Provincial Debt, Key Indicators of Provincial Debt, and Summary of Performance Measures.

Colleges

3. Langara College

School Districts

4. School District No.38 (Richmond)
5. School District No.68 (Nanaimo-Ladysmith)

Universities

6. Simon Fraser University

Health Authorities

7. Vancouver Island Health Authority

Children and Family Services Regional Authorities

8. Community Living British Columbia
9. Vancouver Island Aboriginal Transition Authority

Crown Corporations

10. BC Immigrant Investment Fund Ltd.
11. BC Pavilion Corporation

BC Pavilion Corporation Division

12. Vancouver Convention Centre Expansion Project
13. BC Transportation Financing Authority
14. BCIF Management Ltd.
15. British Columbia Assessment Authority (April 1, 2009)
16. British Columbia Assessment Authority (March 30, 2010)
17. BC Enterprise Corporation
18. British Columbia Liquor Distribution Branch
19. British Columbia Securities Commission
20. British Columbia Transmission Corporation

British Columbia Transmission Corporation Subsidiary

21. British Columbia Transmission Corporation Pension Plan Fund
22. Columbia Power Corporation

Columbia Power Corporation Subsidiaries

23. Arrow Lakes Power Corporation
24. Brilliant Power Corporation
25. Brilliant Expansion Power Corporation

26. Power Project Planning Joint Venture
27. Forestry Innovation Investment Ltd.
28. Industry Training Authority
29. Oil and Gas Commission

Oil and Gas Commission Subsidiary

30. Science and Community Environmental Knowledge Fund
31. Pacific Carbon Trust
32. Tourism British Columbia
33. Transportation Investment Corporation

Other Organizations and Special Events

34. Office of the Representative for Children and Youth
35. Provincial Employees Community Services Fund
36. WorksafeBC
37. Schedule of Detailed Expenditure Claims under the Canada-British Columbia Canada Strategic Infrastructure Fund Agreement for Kicking Horse Canyon Project, 2005 – 2006/2009 – 2010
38. Schedule of Detailed Expenditure Claims under the Contribution Agreement; Canada-British Columbia “Improvements at Border Crossings”
39. Schedule of Detailed Expenditure Claims under the Canada-British Columbia Strategic Highway Infrastructure Program Agreement, Highways Construction Component
40. Schedule of Detailed Expenditure Claims under the Canada-British Columbia Agreement on the Asia-Pacific Gateway and Corridor Initiative, Transportation Infrastructure Component
41. Schedule of Detailed Expenditure Claims under the Asia-Pacific Gateway Corridor Transportation Infrastructure Fund Contribution Agreement for South Fraser Perimeter Road [2008/2009 – 2013/2014]
42. Schedule of Detailed Expenditure Claims under the Canada-British Columbia Agreement on the British Columbia Lower Mainland Border Project, 2004 – 2005/2008 – 2009
43. Compliance With the Cost Sharing Agreement Described in Sections 1 through Schedule G of the Canada-Vancouver Convention Centre Expansion Project Limited Agreement on the Vancouver Convention and Exhibition Centre Expansion Project

- 44. Statement of Expenditures for the Cost Sharing Agreement described in Section D of the Canada-Vancouver Convention Centre Expansion Project Limited Agreement on the Vancouver Convention and Exhibition Centre Expansion Project
- 45. Schedule of Detailed Expenditure Claims, Canada-British Columbia Agreement on Targeted Initiative for Older Workers
- 46. Annual Expenditure Report under the Canada-British Columbia Provincial-Territorial Base Funding Agreement, Building Canada Infrastructure Plan, 2007/2008 – 2016/2017
- 47. Compliance with the criteria described in Section 20 (1) and (2) of the Canada - British Columbia Labour Market Agreement on Ministry of Advanced Education and Labour Market Development
- 48. Statement of Revenue and Expenses for the LMA agreement as defined in paragraph 24 of the Canada - British Columbia Labour Market Agreement with the Government of Canada

Report 1 – April 2009

Follow-up Report: Updates on the implementation of recommendations from recent reports

June 2009

2008/09 Annual Report and 2009/10 – 2011/12 Service Plan

Report 2 – October 2009

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Observations on Financial Reporting: Audit Findings Report on the 2008/09 Summary Financial Statements

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British Columbia Crown Corporations Executive Compensation Arrangements: A Work in Progress

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Managing Knowledge: A guide to good practice

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Making the Right Decisions: Information use by the boards of public sector organizations

Report 7 – February 2010

The PARIS System for Community Care Services: Access and Security

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Oil and Gas Site Contamination Risks: Improved oversight needed

Report 9 – February 2010

Electronic Health Record Implementation in British Columbia

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Wireless Networking Security in Government: Phase 2

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Follow-up Report: Updates on the implementation of recommendations from recent reports

2009 Annual Report and 2010-2012 Service Plan of the Workers' Compensation Board of British Columbia (WorkSafeBC)

The 2008 Annual Service Plan Report of the British Columbia Assessment Authority (BC Assessment)

Executive Compensation

Board Use of Information

Langara College

Simon Fraser University



